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SUBJECT: BECHTEL SIGNS MEGA LNG CONSTRUCTION CONTRACT

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11. (SBU) Summary. On 10 December 2007, the Angolan LNG Consortium and Bechtel Corporation signed multi-billion dollar contract to build the Angola Liquefied Natural Gas (LNG) plant in Soyo. Bechtel is concerned about possible problems in getting Angola visas for the approximately 4,000 expatriate workers and securing timely customs clearance for an expected 11,000 shipments of cargo. End Summary.

12. (SBU) On 18 December 2007, Terry Valenzano, Bechtel's Country Manager for the Angola Liquefied Natural Gas (LNG) plant and Ricardo Cardiga, Local Content Manager, informed the Ambassador that Bechtel had signed on December 10, 2007, an agreement with Angola LNG, giving Bechtel multi-billion contract to build the LNG plant at Soyo. The signing of the massive contract was done privately; the development will be announced with fanfare after the new year begins. The construction project will be Angola's largest engineering project ever.

Building an LNG Plant

13. (SBU) Angolan LNG's shareholders made their final investment decision on the plant on 10 December. Angola LNG, a consortium led by Chevron, the eventual operator (36.4 percent ownership), with British Petroleum (13.6 pct), Sonangol (22.8 pct.), Total (13.6 pct) and ENI (13.6 pct.) as shareholders, is building the LNG plant mainly to serve the U.S. market through a terminal in Pasacagoula, Mississippi. (Note: ENI recently bought its share from Sonangol. End note.) (Note: A recent media report said Daewoo would build 4 LNG carriers for the project, three to carry gas to the U.S., one to an unspecified European destination. End note.)

14. (SBU) Bechtel is to build the LNG plant in 48 months, and gas shipments are scheduled to begin in February 2012. The Boskalis Corporation (Netherlands) spent much of 2007 preparing the site, extending the shoreline and building jetties. Others are at work to upgrade the Soyo port.

15. (SBU) Bechtel will continue with site and soil preparation during 2008; actual plant construction will begin only in 2009. Bechtel has been lining up aggregate (gravel) suppliers in Angola, and expects to be able to procure some other goods locally. Bechtel expects to import most of the project's cement from China. Valenzuela was intrigued that larger quantities of Angolan cement might come on the market if the Palancas Cimentos project at the Port of Lobito goes into production in time. (Note: Current Angolan cement production can meet only a fraction of the local construction

industry's demand, causing retail cement prices to soar in recent months. End note.)

Angolan Content and Angolan Employees

¶16. (SBU) The GRA requires Bechtel to hire a minimum number of Angolans, and give preference to residents of Soyo city and surrounding Zaire province. The GRA has given Bechtel unusual flexibility to hire expatriates, in the interest of keeping the project on schedule. The GRA is serious about hiring locals: Boskalis had to let go some employees it had engaged from Cabinda Province. Valenzano explained most locals would work on the project for only about 18 months. They will be semi-skilled and unskilled workers, who should have marketable skills when they finish with the Soyo project.

Visas and Customs

¶17. (SBU) At its peak, a multinational workforce of approximately 4,000 will work on the project, mainly from Philippines, Thailand, India and China. Bechtel hopes to use labor brokers to courier bundles of passports to the nearest Angolan Embassies for needed visas. About 120 employees will come from the United States. Valenzuela is concerned that Angola's Houston Consulate recently reduced its visa service from five to one day per week, and now makes applicants wait eight days for their passports. Valenzuela hopes a dedicated Angolan Customs office in Soyo will keep the project's 11,000 shipments moving quickly through the port.

Comment

¶18. (SBU) The Soyo LNG plant is a key strategic addition to

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Angola's developing economy. The plant would capture gas now being flared or reinserted into the seabed. With a signed contract in hand, Bechtel now becomes another major American private sector player in Angola, bolstering further the huge role of U.S. companies in the Angolan economy.

MOZENA